KERRY PROPERTIES LIMITED

(Incorporated in Bermuda with limited liability)

嘉里建設有限公司*

website: www.kerryprops.com

(Stock Code: 683)

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

The Board of Directors (the "**Board**") of the Company announces the consolidated final results of the Group for the year ended 31 December 2016. The Audit and Corporate Governance Committee of the Company has met to review the results and the financial statements of the Group for the year ended 31 December 2016 prior to recommending them to the Board for approval.

OVERALL RESULTS

The Group's profit attributable to shareholders for the year ended 31 December 2016 was HK$6,537 million, representing an increase of 18% compared with HK$5,530 million reported for 2015.

The Group measured its investment property portfolio on a fair value basis and recorded an increase in fair value of investment properties (net of deferred taxation) attributable to shareholders of HK$2,866 million for the year ended 31 December 2016 (2015: HK$2,049 million). Profit attributable to shareholders for the year ended 31 December 2016 before taking into account the effect of the aforementioned increase in fair value was HK$3,671 million (2015: HK$3,481 million).

Earnings per share for the year ended 31 December 2016 were HK$4.53, representing an increase of 18% compared with HK$3.83 per share in 2015.

* *For identification purpose only*

The effect on the Group's profit attributable to shareholders due to the net increase in fair value of the Group's investment properties and related tax effects is as follows:

	Year ended 31 December		
	2016	2015	
	HK$ million	HK$ million	Change
Profit attributable to shareholders before taking into account the net increase in fair value of investment properties and related tax effects	**3,671**	3,481	5%
Add:			
Net increase in fair value of investment properties and related tax effects	**2,866**	2,049	
Profit attributable to shareholders after taking into account the net increase in fair value of investment properties and related tax effects	**6,537**	5,530	18%

The Board has recommended the payment of a final dividend of HK$0.8 per share for the year ended 31 December 2016 (the "**Final Dividend**"). Together with the interim dividend of HK$0.3 per share, the total cash dividend for the year ended 31 December 2016 will be HK$1.1 per share (2015: HK$0.9 per share).

CONSOLIDATED INCOME STATEMENT

	Note	Year ended 31 December 2016 HK$'000	2015 HK$'000
Turnover	2	**12,990,536**	10,392,897
Cost of sales		**(4,266,362)**	(3,809,898)
Direct operating expenses		**(2,868,283)**	(2,671,797)
Gross profit	2	**5,855,891**	3,911,202
Other income and net gains		**1,115,592**	487,119
Administrative and other operating expenses		**(1,275,629)**	(1,070,637)
Increase in fair value of investment properties		**3,244,197**	2,466,154
Operating profit before finance costs		**8,940,051**	5,793,838
Finance costs	3	**(411,033)**	(551,053)
Operating profit	3	**8,529,018**	5,242,785
Share of results of associates		**1,800,981**	2,017,565
Profit before taxation		**10,329,999**	7,260,350
Taxation	4	**(2,595,232)**	(1,189,871)
Profit for the year		**7,734,767**	6,070,479
Profit attributable to :			
Company's shareholders		**6,537,258**	5,529,963
Non-controlling interests		**1,197,509**	540,516
		7,734,767	6,070,479
Earnings per share	5		
- Basic		**HK$4.53**	HK$3.83
- Diluted		**HK$4.53**	HK$3.82

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2016	2015
	HK$'000	HK$'000
Profit for the year	**7,734,767**	6,070,479
Other comprehensive income		
Items that may be reclassified to profit or loss		
Cash flow hedges	**107,278**	(99,646)
Available-for-sale investments		
- Fair value gains	**62,517**	168,574
- Release of reserve upon disposal of available-for-sale investments	**(264,031)**	-
Release of exchange fluctuation reserve upon disposal of a subsidiary	**(22,505)**	-
Share of other comprehensive income of associates	**(736,060)**	(353,634)
Net translation differences on foreign operations	**(3,781,952)**	(3,463,547)
Other comprehensive income for the year, net of tax	**(4,634,753)**	(3,748,253)
Total comprehensive income for the year	**3,100,014**	2,322,226
Total comprehensive income attributable to:		
Company's shareholders	**2,742,258**	2,546,335
Non-controlling interests	**357,756**	(224,109)
	3,100,014	2,322,226

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December 2016 HK$'000	2015 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**5,758,321**	5,404,614
Investment properties		**56,949,967**	57,064,707
Leasehold land and land use rights		**1,893,221**	1,269,770
Properties under development		**22,307,035**	13,749,425
Land deposits		**1,085,695**	3,467,542
Associates		**18,650,834**	20,007,616
Derivative financial instruments		**100,139**	46,837
Available-for-sale investments		**4,856,190**	2,134,726
Long-term receivables		**1,001,386**	252,128
Intangible assets		**122,504**	122,504
		112,725,292	103,519,869
Current assets			
Properties under development		**34,984,502**	30,496,298
Completed properties held for sale		**3,787,415**	4,698,188
Accounts receivable, prepayments and deposits	6	**2,492,279**	1,135,784
Tax recoverable		**137,434**	112,756
Tax reserve certificates		**189,255**	170,471
Listed securities at fair value through profit or loss		**5,709**	190,857
Derivative financial instruments		**59,388**	27,918
Restricted bank deposits		**206,719**	348,404
Cash and bank balances		**16,274,538**	10,516,413
		58,137,239	47,697,089
Non-current assets reclassified as held for sale		**385,574**	-
Assets of disposal groups classified as held for sale		**1,397,583**	-
		59,920,396	47,697,089
Current liabilities			
Accounts payable, deposits received and accrued charges	7	**6,659,401**	5,876,714
Deposits received on sale of properties		**13,874,666**	4,138,734
Taxation		**1,490,836**	1,167,667
Short-term bank loans and current portion of long-term bank loans	8	**3,856,100**	9,641,826
Fixed rate bonds		**4,652,074**	3,253,716
Derivative financial instruments		**62,125**	1,317
		30,595,202	24,079,974
Liabilities of disposal groups classfied as held for sale		**339,245**	-
		30,934,447	24,079,974
Net current assets		**28,985,949**	23,617,115
Total assets less current liabilities		**141,711,241**	127,136,984
Non-current liabilities			
Long-term bank loans	8	**34,507,291**	17,198,633
Fixed rate bonds		**2,317,612**	6,951,344
Amounts due to non-controlling interests		**2,590,684**	2,430,386
Derivative financial instruments		**150,164**	90,372
Deferred taxation		**6,927,118**	6,303,995
		46,492,869	32,974,730
ASSETS LESS LIABILITIES		**95,218,372**	94,162,254
EQUITY			
Capital and reserves attributable to the Company's shareholders			
Share capital		**1,443,148**	1,445,856
Share premium		**12,408,816**	12,426,503
Other reserves		**8,179,121**	11,947,898
Retained profits		**60,713,322**	55,533,102
		82,744,407	81,353,359
Non-controlling interests		**12,473,965**	12,808,895
TOTAL EQUITY		**95,218,372**	94,162,254

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of preparation and accounting policies

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants. In addition, these financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

The accounting policies are consistent with those as described in the Group's financial statements for the year ended 31 December 2015.

The following standard and amendments to existing standards have been published that are effective for the accounting period of the Group beginning on 1 January 2016:

- HKFRS 14, 'Regulatory deferral accounts'
- Amendments to HKFRS 10, HKFRS 12 and HKAS 28, 'Investment entities: applying the consolidation exception'
- Amendment to HKFRS 11, 'Accounting for acquisitions of interests in joint operations'
- Amendment to HKAS 1, 'Disclosure initiative'
- Amendments to HKAS 16 and HKAS 38, 'Clarification of acceptable methods of depreciation and amortisation'
- Amendment to HKAS 27, 'Equity method in separate financial statements'
- Annual improvements 2012 - 2014 cycle

The new standard and amendments to existing standards had no material financial impact on the consolidated financial statements of the Group.

The following standards and amendments to existing standards, which are relevant to the operations of the Group, have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2017, but the Group has not early adopted them:

	Applicable for accounting periods beginning on/after
Amendments to HKFRS 10 and HKAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined
Amendments to HKAS 7, 'Disclosure initiative'	1 January 2017
Amendments to HKAS 12, 'Recognition of deferred tax assets for unrealised losses'	1 January 2017
Amendments to HKFRS 2, 'Classification and measurement of share-based payment transactions'	1 January 2018
HKFRS 9, 'Financial instruments'	1 January 2018
HKFRS 15, 'Revenue from contracts with customers'	1 January 2018
HKFRS 16, 'Leases'	1 January 2019

The application of HKFRS 15 may result in the identification of separate performance obligations which could affect the timing of the recognition of revenue. Certain costs incurred in fulfilling a contract which are currently expensed may need to be recognised as an asset under HKFRS 15.

1. Basis of preparation and accounting policies (continued)

HKFRS 16 will affect primarily the accounting for Group's operating leases. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized in the consolidated statement of financial position.

The Group will adopt the above standards and amendments to existing standards as and when they become effective. The Group has already commenced the assessment of the impact to the Group and is not yet in a position to state whether these would have a significant impact on its results of operations and financial position.

2. Principal activities and segmental analysis of operations

An analysis of the Group's turnover and gross profit for the year by principal activity and market is as follows:

	Turnover		**Gross profit**	
	Year ended 31 December		**Year ended 31 December**	
	2016	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000
Principal activities:				
Property rental and others				
- The People's Republic of China ("**PRC**") Property	**2,994,753**	2,896,899	**2,380,745**	2,271,894
- Hong Kong Property	**1,057,831**	904,480	**833,807**	674,691
	4,052,584	3,801,379	**3,214,552**	2,946,585
Property sales				
- PRC Property (Note (i))	**6,655,037**	3,357,944	**2,308,357**	602,173
- Hong Kong Property	**549,401**	1,726,535	**155,220**	608,510
	7,204,438	5,084,479	**2,463,577**	1,210,683
Hotel operations - PRC Property	**1,733,514**	1,507,039	**177,762**	153,934
	12,990,536	10,392,897	**5,855,891**	4,311,202
Less: Provision for impairment of properties under development - PRC Property (Note (ii))	**-**	-	**-**	(400,000)
	12,990,536	10,392,897	**5,855,891**	3,911,202
Principal markets:				
- PRC	**11,383,304**	7,761,882	**4,866,864**	2,628,001
- Hong Kong	**1,607,232**	2,631,015	**989,027**	1,283,201
	12,990,536	10,392,897	**5,855,891**	3,911,202

Note (i): Sales of investment properties for the year ended 31 December 2016 amounting to HK$323,915,000 (2015: HK$120,838,000) are excluded from turnover.

Note (ii): The provision for impairment of properties under development is included under cost of sales.

2. Principal activities and segmental analysis of operations (continued)

An analysis of the Group's financial results by operating segment is as follows:

	Year ended 31 December 2016				
	PRC Property HK$'000	Hong Kong Property HK$'000	Total Operating Segments HK$'000	Others HK$'000	Total HK$'000
Revenue					
Turnover	11,383,304	1,607,232	12,990,536	-	12,990,536
Results					
Segment results - gross profit	4,866,864	989,027	5,855,891	-	5,855,891
Other income and net gains					1,115,592
Administrative and other operating expenses					(1,275,629)
Increase in fair value of investment properties					3,244,197
Operating profit before finance costs					8,940,051
Finance costs					(411,033)
Operating profit					8,529,018
Share of results of associates					1,800,981
Profit before taxation					10,329,999
Taxation					(2,595,232)
Profit for the year					7,734,767
Profit attributable to:					
Company's shareholders					6,537,258
Non-controlling interests					1,197,509
					7,734,767
Depreciation and amortisation	532,407	20,069	552,476	2,624	555,100

2. Principal activities and segmental analysis of operations (continued)

	Year ended 31 December 2015				
	PRC Property HK$'000	Hong Kong Property HK$'000	Total Operating Segments HK$'000	Others HK$'000	Total HK$'000
Revenue					
Turnover	7,761,882	2,631,015	10,392,897	-	10,392,897
Results					
Segment results - gross profit	2,628,001	1,283,201	3,911,202	-	3,911,202
Other income and net gains					487,119
Administrative and other operating expenses					(1,070,637)
Increase in fair value of investment properties					2,466,154
Operating profit before finance costs					5,793,838
Finance costs					(551,053)
Operating profit					5,242,785
Share of results of associates					2,017,565
Profit before taxation					7,260,350
Taxation					(1,189,871)
Profit for the year					6,070,479
Profit attributable to:					
Company's shareholders					5,529,963
Non-controlling interests					540,516
					6,070,479
Depreciation and amortisation	395,123	24,968	420,091	4,047	424,138

3. Operating profit

	Year ended 31 December	
	2016	2015
	HK$'000	HK$'000
Operating profit is stated after crediting/charging the following:		
Crediting		
Dividend income	**105,387**	97,965
Interest income	**301,388**	324,906
Gain on sale of investment properties, net	**102,415**	29,624
Charging		
Depreciation of property, plant and equipment and amortisation of leasehold land and land use rights	**555,100**	424,138
Provision for impairment loss for hotel property	**80,682**	-
Total finance costs incurred	**1,169,256**	1,300,896
Less: amount capitalised in properties under development and investment properties under construction	**(901,329)**	(876,904)
	267,927	423,992
Fair value loss on derivative financial instruments	**143,106**	127,061
Total finance costs expensed during the year	**411,033**	551,053

4. Taxation

	Year ended 31 December	
	2016	2015
	HK$'000	HK$'000
The taxation (charge)/credit comprises:		
PRC taxation		
Current	**(1,444,374)**	(444,161)
Under-provision in prior years	**(912)**	(2,174)
Deferred	**(969,247)**	(543,367)
	(2,414,533)	(989,702)
Hong Kong profits tax		
Current	**(114,359)**	(148,645)
Over/(under)-provision in prior years	**770**	(2,252)
Deferred	**(47,003)**	(29,163)
	(160,592)	(180,060)
Overseas taxation		
Current	**(8,415)**	(8,326)
Over-provision in prior years	**25**	-
Deferred	**(11,717)**	(11,783)
	(20,107)	(20,109)
	(2,595,232)	(1,189,871)

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profit for the year. Income tax on PRC and overseas profits has been calculated on the estimated assessable profit for the year at the respective rates of taxation prevailing in the PRC and the overseas countries in which the Group operates.

Land appreciation tax in the PRC is levied on properties developed by the Group for sale, at progressive rates ranging from 30% to 60% on the appreciation of land value, which under the applicable regulations is calculated based on the proceeds of sales of properties less deductible expenditures including land costs, borrowing costs and all property development expenditures.

The Group's share of associates' taxation for the year of HK$440,467,000 (2015: HK$362,270,000) is included in the share of results of associates in the consolidated income statement.

5. Earnings per share

Basic

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the year.

	Year ended 31 December	
	2016	2015
Weighted average number of ordinary shares in issue	**1,443,354,936**	1,445,520,168
	HK$'000	HK$'000
Profit attributable to shareholders	**6,537,258**	5,529,963
Basic earnings per share	**HK$4.53**	HK$3.83

Diluted

Diluted earnings per share is calculated by adjusting the profit attributable to shareholders of the Company and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

	Year ended 31 December	
	2016	2015
Weighted average number of ordinary shares in issue	**1,443,354,936**	1,445,520,168
Adjustment for share options	**111,056**	239,022
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**1,443,465,992**	1,445,759,190
	HK$'000	HK$'000
Profit attributable to shareholders	**6,537,258**	5,529,963
Diluted earnings per share	**HK$4.53**	HK$3.82

6. Accounts receivable, prepayments and deposits

Included in accounts receivable, prepayments and deposits are trade receivables. The Group maintains a defined credit policy. The ageing analysis of trade receivables as at 31 December 2016 is as follows:

	As at 31 December 2016 HK$'000	As at 31 December 2015 HK$'000
Below 1 month	**104,343**	242,232
Between 1 month and 3 months	**48,912**	12,883
Over 3 months	**194,533**	8,901
	347,788	264,016

7. Accounts payable, deposits received and accrued charges

Included in accounts payable, deposits received and accrued charges are trade payables. The ageing analysis of trade payables as at 31 December 2016 is as follows:

	As at 31 December 2016 HK$'000	As at 31 December 2015 HK$'000
Below 1 month	**535,487**	718,880
Between 1 month and 3 months	**34,763**	64,925
Over 3 months	**32,489**	14,594
	602,739	798,399

8. Bank loans

	As at 31 December 2016 HK$'000	As at 31 December 2015 HK$'000
Bank loans - unsecured	**33,195,720**	21,114,807
Bank loans - secured	**5,167,671**	5,725,652
Total bank loans (note (i))	**38,363,391**	26,840,459
Less : Short-term bank loans and current portion of long-term bank loans	**(3,856,100)**	(9,641,826)
	34,507,291	17,198,633

8. Bank loans (continued)

(i) As at 31 December 2016, the Group's bank loans were repayable as follows:

	As at 31 December 2016 HK$'000	As at 31 December 2015 HK$'000
Within one year	**3,856,100**	9,641,826
In the second to fifth year		
- In the second year	**8,888,834**	2,056,527
- In the third year	**8,891,789**	9,072,777
- In the fourth year	**8,095,992**	3,402,331
- In the fifth year	**7,743,122**	1,175,853
	33,619,737	15,707,488
Repayable within five years	**37,475,837**	25,349,314
Over five years	**887,554**	1,491,145
	38,363,391	26,840,459

9. Commitments

At 31 December 2016, the Group had capital and other commitments in respect of property, plant and equipment, investment properties, leasehold land and land use rights, properties under development and others contracted for at the end of the year but not provided for in these financial statements as follows:

	As at 31 December 2016 HK$'000	As at 31 December 2015 HK$'000
Property, plant and equipment	**3,237**	-
Investment properties	**4,314**	536,354
Leasehold land and land use rights	**1,014,419**	2,889,925
Properties under development	**7,253,699**	11,971,037
Others	**303,319**	-
	8,578,988	15,397,316

10. Contingent liabilities

Guarantees for banking and other facilities

	As at 31 December 2016 HK$'000	As at 31 December 2015 HK$'000
- Guarantees for banking and other facilities of certain associates (note (i))	**862,338**	1,582,256
- Guarantees to certain banks for mortgage facilities granted to first buyers of certain properties in the PRC (note (ii))	**4,195,988**	1,711,670
	5,058,326	3,293,926

(i) The Group has executed guarantees for banking and other facilities granted to certain associates. The utilised amount of such facilities covered by the Group's guarantees which also represented the financial exposure of the Group as at 31 December 2016 amounted to approximately HK$862,338,000 (2015: HK$1,582,256,000). The total amount of such facilities covered by the Group's guarantees as at 31 December 2016 amounted to approximately HK$890,338,000 (2015: HK$2,470,547,000).

(ii) The Group has executed guarantees to certain banks for mortgage facilities granted to first buyers of certain properties developed by the Group in the PRC. The utilised amount of such facilities covered by the Group's guarantees which also represented the financial exposure of the Group as at 31 December 2016 amounted to approximately HK$4,195,988,000 (2015: HK$1,711,670,000).

Apart from the above, there are no material changes in contingent liabilities of the Group since 31 December 2015.

11. Pledge of assets

At 31 December 2016, the Group's total bank loans of HK$38,363,391,000 (2015: HK$26,840,459,000) included an aggregate amount of HK$33,195,720,000 (2015: HK$21,114,807,000) which is unsecured and an aggregate amount of HK$5,167,671,000 (2015: HK$5,725,652,000) which is secured. The securities provided for the secured banking facilities available to the Group are as follows:

(i) legal charges over certain properties with an aggregate net book value of HK$20,670,324,000 (2015: HK$21,689,027,000); and

(ii) assignments of insurance proceeds of certain properties.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF PROPERTY BUSINESS

Overview

The Group recorded an increase in turnover from the sales of completed properties during the year ended 31 December 2016. Rental income generated on the investment asset base also grew steadily in line with management expectations.

As at 31 December 2016, the Group maintained a property portfolio comprising properties under development with a gross floor area ("**GFA**") of 26.16 million square feet (2015: 36.42 million square feet), completed investment properties of 12.17 million square feet (2015: 11.26 million square feet), hotel properties of 3.77 million square feet (2015: 3.39 million square feet) and properties held for sale of 2.44 million square feet (2015: 3.36 million square feet).

Property Portfolio Composition

As at 31 December 2016:

	Group's attributable GFA				
	The PRC	Hong Kong	Macau(1)	Overseas	Total
	('000 square feet)				
Completed Investment Properties	7,525	2,782	-	1,865	12,172
Hotel Properties	3,731	38	-	-	3,769
Properties Under Development	19,038	2,715	2,385	2,022	26,160
Properties Held for Sale	2,383	48	-	13	2,444
Total GFA	**32,677**	**5,583**	**2,385**	**3,900**	**44,545**

Note:

(1) The property portfolio in Macau includes the developable GFA of a site that was surrendered to the Macau SAR Government in September 2009. According to the Macau SAR Government Notice gazetted on 14 October 2009, a piece of land will be granted in exchange for this, with size and location to be identified and agreed upon.

PRC PROPERTY DIVISION

During the year ended 31 December 2016, the PRC Property Division delivered a turnover of HK$11,384 million (2015: HK$7,762 million), representing an increase of 47%. This growth mainly reflected a 98% increase in sales revenue from completed properties and a 3% growth in rental revenue. Gross profit also rose 85% to HK$4,867 million (2015: HK$2,628 million).

Contracted sales of residential properties in the PRC showed strong growth during the year. Performance of the office rental properties remained robust, while the retail portfolio was able to deliver steady results against prevailing market challenges.

INVESTMENT PROPERTIES

The PRC portfolio of completed investment properties generated a turnover, comprising rental and other fees, of HK$2,995 million (2015: HK$2,897 million) during the year. Gross profit increased 5% year on year to HK$2,381 million (2015: HK$2,272 million).

As at 31 December 2016, the Group maintained a completed investment property portfolio comprising apartment, commercial and office properties in the PRC with an aggregate GFA of 7.53 million square feet (2015: 6.72 million square feet). Their respective composition and occupancy rates were as follows:

As at 31 December 2016:

	Group's attributable GFA							
	Beijing	**Shanghai**	**Shenzhen**	**Tianjin**	**Hangzhou**	**Fuzhou**	**Total**	**Occupancy Rate**
	('000 square feet)							
Office	**711**	**1,453**	**1,552**	**-**	**100**	**-**	**3,816**	**97%**
Commercial	**98**	**1,096**	**212**	**428**	**812**	**12**	**2,658**	**93%**
Apartment	**277**	**774**	**-**	**-**	**-**	**-**	**1,051**	**89%**
	1,086	**3,323**	**1,764**	**428**	**912**	**12**	**7,525**	

As at 31 December 2015:

	Group's attributable GFA							
	Beijing	Shanghai	Shenzhen	Tianjin	Hangzhou	Fuzhou	Total	Occupancy Rate
	('000 square feet)							
Office	711	1,503	1,552	-	-	-	3,766	98%
Commercial	98	1,099	212	428	-	64	1,901	98%
Apartment	277	774	-	-	-	-	1,051	87%
	1,086	3,376	1,764	428	-	64	6,718	

Comparative occupancy rates of key investment properties are outlined below:

Property	**Occupancy rate as at 31 December 2016**	Occupancy rate as at 31 December 2015
Jing An Kerry Centre Phase I	**97%**	96%
Jing An Kerry Centre Phase II(1)	**98%**	96%
Kerry Parkside(1)	**94%**	97%
Beijing Kerry Centre(1)	**98%**	96%
Shenzhen Kerry Plaza Phase I	**91%**	97%
Shenzhen Kerry Plaza Phase II	**100%**	100%

Note:
(1) Excluding hotel.

Jing An Kerry Centre, Shanghai

A landmark mixed-use development, Jing An Kerry Centre, is located in the heart of Shanghai's Nanjing Road business district. The Group holds 74.25% and 51% interests in its Phases I and II respectively. With a GFA of 3.74 million square feet, Jing An Kerry Centre integrates hotel, retail, office and residential space overlooking a beautifully landscaped piazza. While the luxurious Shangri-La Hotel is a key feature, the development is also the pre-eminent shopping venue and most exclusive office address in Shanghai. As at 31 December 2016, 99% of the office (2015: 97%) and 96% of the retail space (2015: 95%) were leased. Jing An Shangri-La Hotel achieved an average occupancy rate of 79% during the year (2015: 74%).

Kerry Parkside, Shanghai

Kerry Parkside, located in the Pudong District of Shanghai, is a 40.8%-held mixed-use property comprising a hotel, offices, serviced apartments, a retail mall and related ancillary facilities. As at 31 December 2016, the retail space and offices were 95% and 100% leased respectively (2015: 99% and 100%, respectively). The occupancy rate of the serviced apartments was 78% (2015: 86%). Kerry Hotel Pudong, Shanghai reported an average occupancy rate of 73% (2015: 71%) during the year.

Beijing Kerry Centre

Beijing Kerry Centre, located in the heart of the capital city, combines high-quality office space, a world-class shopping mall, and Kerry Hotel Beijing together with serviced apartments. The Group holds a 71.25% interest in this mixed-use development. As at 31 December 2016, the occupancy rate of the retail portion was 98% (2015: 100%), while the offices were 98% leased (2015: 98%). The serviced apartments were 97% leased as at 31 December 2016 (2015: 91%). Kerry Hotel Beijing delivered an average occupancy rate of 83% (2015: 78%) during the year.

Shenzhen Kerry Plaza

Shenzhen Kerry Plaza, wholly owned by the Group, comprises three Grade-A office towers with a GFA of approximately 1.65 million square feet. Located at the core of the Futian CBD, it is conveniently connected with Futian railway station on the Guangzhou–Shenzhen–Hong Kong Express Rail Link now under construction. As at 31 December 2016, Phases I and II of the development were 91% and 100% leased respectively (2015: 97% and 100%, respectively).

Tianjin Kerry Centre

Tianjin Kerry Centre is located on the east bank of the Haihe CBD in Hedong District, Tianjin, where it enjoys convenient access to a major transportation network. Phase I of this 49%-owned mixed-use project includes a hotel, upscale residences and a shopping mall. The completed Phase I development delivered a GFA of approximately 3.6 million square feet. As at 31 December 2016, the Riverview Place mall was 87% leased (2015: 87%). Shangri-La Hotel, Tianjin reported an average occupancy rate of 65% (2015: 56%) during the year.

Hangzhou Kerry Centre

Hangzhou Kerry Centre is located at the intersection of Yan'an Road and Qingchun Road, adjacent to the Xihu (West Lake). This 2.2 million square-foot mixed-use property comprises a luxury hotel, Grade-A offices, premium apartments and a retail mall complex. Construction has been completed and as at 31 December 2016, the offices were in full operation with 100% leased (2015: N/A). Midtown Shangri-La, Hangzhou has also been opened, and reported an average occupancy rate of 64% (2015: N/A) during the year. The mall was soft opened in November 2016, with 85% (2015: N/A) of the total space leased. The Group holds a 75% stake in the project.

SALES OF PROPERTIES

Sales of completed properties in the PRC delivered a turnover of HK$6,655 million (2015: HK$3,358 million), mainly from recognized sales of Putian Arcadia Court, Nanchang Arcadia Court, Enterprise Centre in Shanghai, and Shenyang Arcadia Court. A gross profit of HK$2,308 million (2015: HK$602 million) was derived therefrom. The Group also shared a satisfactory contribution from the property sales of two associate investments, Tangshan Arcadia Court and Tianjin Arcadia Court.

Putian Arcadia Court

The delivery of units at Putian Arcadia Court continued during the year. As at 31 December 2016, all 1,820 residential units had been sold. The Group holds a 60% interest in this project.

Nanchang Arcadia Court

Three completed towers of Nanchang Arcadia Court have been delivered consecutively from late 2015. Two additional towers were completed during the year with handover commencing in December 2016. As at 31 December 2016, 94% of the total of 436 units had been sold. The Group holds an 80% interest in this project.

Enterprise Centre, Shanghai

Enterprise Centre at Kerry Everbright City Phase III in Jingan District commenced handover in early 2016. This latest phase, comprising three office towers and ancillary retail spaces, adds a GFA of approximately 1.1 million square feet to the overall development. As at 31 December 2016, 93% of the total of 160 Tower 3 (Enterprise Suites) units had been sold. The Group holds a 74.25% interest in this project.

Shenyang Arcadia Court and Enterprise Square

Four towers of Shenyang Arcadia Court and Enterprise Square have been completed and delivered for occupation. The construction of two additional towers of Shenyang Arcadia Court is scheduled for completion in 2017. As at 31 December 2016, 78% of all 972 residential units, and 59% of the total of 229 office units had been sold. Phase II had 43 residential units sold, representing 32% of the 136 launched units. The Group holds a 60% interest in this project.

Tangshan Arcadia Court

Tangshan Arcadia Court Phases I to III with 14 towers are available for sale. As at 31 December 2016, 94% of the total of 1,498 units had been sold. The Group holds a 40% interest in this residential project.

Tianjin Arcadia Court

The three residential towers of Tianjin Arcadia Court have been completed. Up to 31 December 2016, 90% of the total of 1,126 units had been sold. The Group holds a 49% interest in this residential project.

PROPERTIES UNDER DEVELOPMENT

The Group continued to develop its PRC property portfolio with a focus on large-scale mixed-use projects in the CBDs of major cities, in parallel with selective residential development activities in cosmopolitan locations.

Qianhai, Shenzhen

The Group holds a 350,000 square-foot commercial site for development in the Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone. This site has a total buildable GFA of approximately 2.2 million square feet, with front sea view, and is designated for office, apartment and commercial property development. The project is wholly owned by the Group and represents the first substantial investment in Qianhai by a major Hong Kong corporation. It is expected to be completed in 2019.

On 7 December 2016, the Company, Kerry Holdings Limited and The Bank of East Asia, Limited jointly acquired an adjacent site for a total consideration of RMB3,020 million (approximately HK$3,359 million). The new site has an area of approximately 207,000 square feet, and is planned to yield a GFA of approximately 1.19 million square feet for commercial use. The Group holds a 25% interest in this project.

Qianhai is a special economic zone situated in a key location in the Pearl River Delta. It is slated to be developed as an important financial hub adopting Hong Kong as a model.

Both sites lie conveniently close to the Guangshen Yanjiang Expressway. The Group believes that the development of the two adjacent sites will create a highly synergistic effect.

Hangzhou

This residential and commercial development is located in the core area of the Hangzhou Zhijiang National Tourist and Holiday Resort. With an aggregate site area of approximately 1.53 million square feet, it will yield a GFA of approximately 2.27 million square feet to be occupied by residential development Castalia Court, as well as approximately 210,000 square feet of commercial space. With construction works currently underway, the project is targeted for completion in phases from 2017 onwards. As at 31 December 2016, 65% of the total of 1,683 units had been pre-sold.

Shenyang

The Group's 60%-owned Shenyang Kerry Centre project is located on the east side of Qingnian Street, to the south of Qingnian Park in Shenyang, the provincial capital of Liaoning Province. Lying at the core of the city's landmark Golden Corridor development, the site will yield a GFA of approximately 13 million square feet. This mixed-use project will include a hotel, offices, a shopping mall and residences. Phase I of the development is in the construction stage and has been partially completed. Phase II has also commenced construction, while Phase III of the development is now at the planning stage. Shangri-La Hotel, Shenyang, which was completed as part of the Phase I development, recorded an average occupancy rate of 69% (2015: 67%) during the year.

Nanchang

In Nanchang, the provincial capital of Jiangxi Province, the Group is developing a mixed-use property through a joint venture with Shangri-La Asia Limited ("**Shangri-La**"). This 80%-held project is situated on the west bank of the Ganjiang River in the heart of Honggutan Central District. Its development includes a hotel, offices, and commercial and high-end residential properties. The hotel and residential portion will deliver a GFA of approximately 1.7 million square feet. Shangri-La Hotel, Nanchang recorded an average occupancy rate of 65% (2015: 59%) during the year. The planning of the remaining office site is in progress.

Zhengzhou

The Group and Shangri-La are also collaborating in developing a site located on the east side of Huayuan Road and to the south of Weier Road in Zhengzhou City, Henan Province. The site will yield a GFA of approximately 2.3 million square feet for development into hotel, residential, commercial and office properties. The project is expected to be completed in phases from 2021 onwards. The Group holds a 55% interest in this project.

Changsha

In December 2016, the Group divested its entire investment in a wholly-owned residential project in Changsha to two independent third parties. Shares transfer was completed in January 2017.

Chengdu

The Metropolis-Arcadia Court in Chengdu is located in the southern part of the High-Tech Industrial Development Zone. The Phase I residential units have all been sold and delivered. Phase II, with a total GFA of approximately 2.15 million square feet, is due for completion by stages in 2017. As at 31 December 2016, 76% of the total of 1,905 Phase II residential units had been pre-sold. The Group holds a 55% interest in this project.

In July 2016, the Group divested its entire investment in the Phase III development to an independent third party. Shares transfer was completed in October 2016.

Jinan

With Shangri-La, the Group is co-developing a mixed-use project located in Lixia District, Jinan City. The Group holds a 55% stake in this project, which has a GFA of approximately 1.1 million square feet. The project will comprise a hotel, offices and commercial space, and is scheduled to be completed in phases from 2017 onwards.

Kunming

The Group, together with Shangri-La, is developing two adjoining sites in Kunming City, Yunnan Province. The sites are earmarked for hotel and apartment use, with a GFA of approximately 900,000 square feet. The Group holds a 55% interest in this project, which is scheduled to be completed in 2019.

Nanjing

The Group is developing a residential site located at Da Guang Road in Nanjing's Qin Huai District. This wholly-owned project, Nanjing Jinling Arcadia Court, has a site area of approximately 396,000 square feet and a GFA of approximately 1 million square feet. Project construction is in progress, and is scheduled for completion in 2017. As at 31 December 2016, 73% of the total of 429 units had been pre-sold.

Ningbo

The site under development in Ningbo is located in the Eastern New Town Core Region and is earmarked for The Berylville, a high-end residential project, in which the Group holds a 50% interest. Construction works for Phase I, with a GFA of approximately 400,000 square feet, have been completed. As at 31 December 2016, 92% of the total of 97 Phase I units had been sold, and 46% of the total of 437 Phase II units had also been pre-sold. Construction works for Phase II are in progress and are expected to be completed in 2018.

Putian

The Group and Shangri-La will co-develop a hotel project, as part of the Putian project development, at Jiuhua Road, Putian City, Fujian Province. The Group holds a 60% interest in this project.

Qinhuangdao

Phase I of Habitat, the Group's 60%-owned deluxe seaside residential project close to Beidaihe in Qinhuangdao, Hebei Province, has been completed. As at 31 December 2016, 51% of the total of 780 Phase I residential units had been sold. The Phase I development has a GFA of approximately 1.6 million square feet.

Shanghai

During the year, the Group acquired an indirect equity interest of approximately 24.4% in a project site located in a prime section of Pudong New Area, Shanghai.

The site has a gross area of approximately 4.43 million square feet, currently designated for industrial use. Subject to application to the government authorities for conversion of land use from industrial use to commercial, office and residential use, the project site is capable of being redeveloped into a mixed-use real estate development.

Yingkou

In 2016, the Group signed shares transfer agreements with an independent third party to sell all its investments in Yingkou. Completion of the shares transfer is expected to be in 2017.

Properties under development in the PRC

As at 31 December 2016:

	Group's Attributable GFA Upon Completion					
	Residential	**Apartment**	**Office** ('000 square feet)	**Commercial**	**Hotel**	**Total**
Tianjin	151	166	360	191	-	**868**
Hangzhou	2,549	-	-	209	-	**2,758**
Shenyang	3,254	-	1,069	1,407	-	**5,730**
Nanjing	1,028	-	-	-	-	**1,028**
Chengdu	1,084	-	-	77	-	**1,161**
Nanchang	374	-	-	28	-	**402**
Qinhuangdao	1,850	-	-	-	-	**1,850**
Ningbo	308	-	-	-	-	**308**
Jinan	-	-	205	32	352	**589**
Zhengzhou	537	-	345	23	211	**1,116**
Putian	-	-	-	13	202	**215**
Kunming	249	-	62	27	169	**507**
Shenzhen	646	-	1,459	293	108	**2,506**
Total	**12,030**	**166**	**3,500**	**2,300**	**1,042**	**19,038**

HONG KONG PROPERTY DIVISION

During the year ended 31 December 2016, the Hong Kong Property Division reported a turnover of HK$1,607 million (2015: HK$2,631 million) and gross profit of HK$989 million (2015: HK$1,283 million).

The Division's turnover for the year was mainly derived from recognized sales of completed residential properties at 1 & 3 Ede Road and 8 LaSalle. Sales of Dragons Range and pre-sales of The Bloomsway and Mantin Heights were also steady during the year.

The Hong Kong investment property portfolio continued to provide a stable contribution of recurrent income as it benefited from good occupancy levels with stable rental income.

INVESTMENT PROPERTIES

The Group's portfolio of prime residential, commercial and office properties in Hong Kong continued to perform well in 2016. Turnover, comprising rental and other fees, generated by the Group's completed investment properties in Hong Kong amounted to HK$1,058 million (2015: HK$904 million), yielding a gross profit of HK$834 million (2015: HK$675 million) for the year.

As at 31 December 2016, the Group's completed investment property portfolio in Hong Kong had an aggregate GFA of 2.78 million square feet (2015: 2.78 million square feet). Set out below are the breakdown of GFA and the respective occupancy rates, together with comparative figures:

	As at 31 December 2016		As at 31 December 2015	
	Group's attributable GFA ('000 square feet)	**Occupancy rate**	Group's attributable GFA ('000 square feet)	Occupancy rate
Apartment	**722**	**98%**	722	85%
Commercial	**1,219**	**99%**	1,223	100%
Office	**841**	**85%**	840	99%
	2,782		2,785	

Enterprise Square Five/MegaBox, Kowloon Bay

MegaBox blends shopping, recreation, dining and sports into one innovatively designed complex in Kowloon East. Housing the largest ice rink in Hong Kong, the venue has helped advance the city's position as a major location for international tournaments in ice sports. This pioneering retail and lifestyle hub offers a GFA of 1.1 million square feet. As at 31 December 2016, the mall had an occupancy rate of nearly 100% (2015: 100%).

The two Grade-A office towers of Enterprise Square Five, with a GFA of 519,000 square feet, were 79% leased (2015: 98%) due to relocation of major tenants. Occupancy is expected to improve as new tenants take up the vacated space in the coming year.

MegaBox, on the other hand, continues to record full occupancy and robust rental rates with a tenant mix designed to serve local families and shoppers.

Kerry Centre, Quarry Bay

Kerry Centre, at No. 683 King’s Road, Quarry Bay, is the Group’s 40%-held flagship office property in Hong Kong. This Grade-A office tower has a GFA of approximately 511,000 square feet. Office units at Kerry Centre remained in high demand, with 100% of the space leased (2015: 100%) as at 31 December 2016.

SALES OF PROPERTIES

During the year, recognized sales of completed properties in Hong Kong contributed a turnover of HK$549 million (2015: HK$1,727 million) to the Group. A gross profit of HK$155 million (2015: HK$608 million) was derived mainly from recognized sales of completed residential properties at 1 & 3 Ede Road and 8 LaSalle.

The Division also derived a satisfactory profit from the sale of Dragons Range. Pre-sales of The Bloomsway and Mantin Heights recorded steady progress during the year.

1 & 3 Ede Road, Kowloon Tong

The development consists of a single house, One Ede Road, and 40 apartments at Three Ede Road, with a total saleable area of approximately 70,000 square feet. As at 31 December 2016, all apartments and the house had been sold.

8 LaSalle, Ho Man Tin

This redevelopment project of 56 units is situated at No. 8 La Salle Road, Ho Man Tin, a neighbourhood offering a network of quality primary and secondary schools. The project delivers a saleable area of approximately 53,000 square feet. All units from the project had been sold as at 31 December 2016.

Dragons Range, Kau To, Sha Tin

Together with Sino Group and Manhattan Group, the Group has co-developed Dragons Range, a residential project of 973 units at No. 33 Lai Ping Road, Kau To, Sha Tin, with a saleable area of approximately 878,000 square feet. The Group holds a 40% stake in this development, which has already been delivered to purchasers. As at 31 December 2016, 97% of the total units had been sold.

PROPERTIES UNDER DEVELOPMENT

The Bloomsway, So Kwun Wat

The Group is developing The Bloomsway, a residential project at Nos. 18, 28 & 29 Tsing Ying Road, So Kwun Wat, with a buildable GFA of approximately 940,000 square feet. The site is being developed into a large-scale residential property of 1,100 units, scheduled for completion in 2017. As at 31 December 2016, 79% of the total units had been pre-sold.

Mantin Heights, Ho Man Tin

The Group is developing a residential site at No. 28 Sheung Shing Street, Ho Man Tin, with superstructure works currently in progress. The site occupies an area of approximately 259,000 square feet with a buildable GFA of approximately 1.14 million square feet. This project of 1,429 units is scheduled for completion in 2017, with pre-sales having commenced in April 2016. As at 31 December 2016, 39% of the total units had been pre-sold.

Shan Kwong Road, Happy Valley

A new residential project is currently under development at No. 7A Shan Kwong Road, Happy Valley. Designed to yield a buildable GFA of approximately 81,000 square feet, the project is scheduled to be completed in 2017.

Lung Cheung Road, Beacon Hill

The Group is developing a site in Beacon Hill with an area of approximately 115,000 square feet and a buildable GFA of approximately 116,000 square feet. The site is planned to be developed into a low-density premium residential project, and is scheduled for completion in 2018.

On 5 October 2016, the Group acquired an adjacent site in Beacon Hill through public tender. This new site, occupying an area of 235,000 square feet, will be developed into a low-density premium residential project with a buildable GFA of approximately 343,000 square feet. Management is highly confident in the potential of this exclusive project, which is situated in a prestigious locale. The new development will be designed to provide an upscale living environment in the district.

Hing Hon Road, Sai Ying Pun

The Group is developing a new residential project at Nos. 5-8 Hing Hon Road, following amalgamation of the original development at Nos. 5-6 with an adjacent development at Nos. 7-8. The joint redevelopment project, in which the Group holds a 71% interest, will deliver a buildable GFA of approximately 68,000 square feet. The project is scheduled to be completed in 2019.

LaSalle Road/Boundary Street, Ho Man Tin

In June 2016, the Group completed the acquisition of the entire building at Nos. 168-168C Boundary Street in Ho Man Tin and will redevelop the site together with an adjacent site at Nos. 10-12A LaSalle Road, which it acquired in 2013. This redevelopment project lies next to 8 LaSalle, will deliver an aggregate developable GFA of 45,000 square feet, and is scheduled for completion in 2019.

Properties under development in Hong Kong

As at 31 December 2016:	Group's attributable GFA upon completion ('000 square feet)
Residential	2,715
	2,715

Macau

Development projects in Macau include a site at Nam Van Lake, designated for luxury apartment development, and a further residential project currently under discussion with the Macau SAR Government on the land exchange issue.

In respect of the Nam Van Lake project, the land concession period ended on 30 July 2016. Up to date, no declaration of the lease expiry has been published in the Official Gazette of Macau or notified to the registered lessee, a wholly-owned subsidiary of the Group. As such, the subsidiary remains as the registered lessee of the land.

The Group has sought advice from a legal advisor in Macau. Based on the fact that the non-development was not attributable to the Group, the Group would have a right to pursue a claim for its damages and loss of profits should the Macau SAR Government repossess the land without any compensation. Considering the above, the Directors are of the opinion that no provision is required for the Nam Van Lake project as at 31 December 2016.

OVERSEAS PROPERTY DIVISION

The Group holds a portfolio of upscale properties in the Philippines. These investments are held through Shang Properties, Inc. ("**SPI**"), in which the Division maintains a 34.61% equity interest and a 30.75% interest in its depository receipts. SPI holds a 100% interest in the Shangri-La Plaza Mall, Manila, and indirect interests in The Enterprise Center, an office and commercial property in Makati, Manila's financial district. As at 31 December 2016, the occupancy rates of Shangri-La Plaza Mall and The Enterprise Center were 90% and 96%, respectively (2015: 88% and 96%, respectively).

SPI currently has three major projects under development:

The first is a project in Makati City to redevelop a site into a high-rise residential building, Shang Salcedo Place, with a GFA of approximately 655,000 square feet. As at 31 December 2016, 77% of the total of 749 residential units had been sold.

SPI is developing a site of more than 116,000 square feet located in Malugay Street, Makati City. This project, The Rise, will have a GFA of approximately 1.63 million square feet, comprising 3,044 residential units and approximately 96,000 square feet of commercial space. Sales of The Rise have met with a strong market response, with 73% of the total of 3,044 units sold as at 31 December 2016.

In addition, SPI holds a 60% interest in a hotel and luxury residential development in Fort Bonifacio, Taguig, Manila. The development includes a hotel with a total area of more than 850,000 square feet, residential and serviced apartment units covering 593,000 square feet, and commercial spaces with a total area of 47,400 square feet. As at 31 December 2016, 53% of the total of 98 units available for sale had been sold.

Overseas Property Portfolio

As at 31 December 2016:	Group's attributable GFA The Philippines ('000 square feet)
Investment properties	
Hotel lease	170
Shopping centre	1,256
Commercial	33
Office	406
Sub-total	**1,865**
Properties under development	
Residential	1,612
Hotel	335
Commercial	75
Sub-total	**2,022**
Properties held for sale	
Residential	13
Sub-total	**13**
Total	**3,900**

OUTLOOK

PRC PROPERTY DIVISION

The Division's businesses will focus on two main objectives, which are maintaining a steady revenue base and delivering premium developments.

In the Mainland, a number of iconic mixed-use projects have been launched over the past few years. These landmark projects will help to affirm the Group's presence in the CBDs of major cities, and will contribute significantly to the Division's growing recurrent income base.

In the coming year, the Division will continue to develop its investment property portfolio. Management is confident that the rental portfolio, with particular focus on commercial complexes in top-tier cosmopolitan locations, will provide a stable contribution to the Group. The Division will manage and steadily grow this premium asset base, while selectively divesting some developments in the second- and third-tier cities.

Satisfactory progress continues to be achieved with the various projects under development and sales launches. Property sales are expected to remain steady in the months ahead.

The year 2017 will see a set of new challenges, but the Division is competitively positioned to deliver satisfactory results.

HONG KONG PROPERTY DIVISION

The Hong Kong Property Division performed ahead of expectations in 2016. The local property market continues to benefit from a tight supply and solid fundamentals. Management is optimistic about the Division's prospects, but will stay alert to the impact of an interest rate up-cycle and economic fluctuations. Overall, sales activity will likely remain robust on the back of solid demand for the Group's residential projects.

Consistently delivering outstanding quality in its property developments, the Group remains focused and is well positioned in the luxury segment. In 2016, the Division undertook a new development on a prime site adjacent to its existing residential project in Beacon Hill. On these two sites, the Division will construct homes with unique attributes, targeting new levels of quality in the Group's development.

The Division will continue to maintain a balanced strategy in the development of sales and investment properties. The rental portfolio in Hong Kong is expected to generate stable revenue and earnings contribution in the coming year. The Mid-Levels portfolio of premier residences continues to meet with strong demand, and the office property in Island East remains fully occupied. The Kowloon East office portfolio, on the other hand, will come under some pressure from a new influx of supply in the district while the retail segment remains strong.

The year 2017 will be one of economic turbulence. However, with our highly motivated professional team, the Group stands braced for the challenges ahead. The Division will prudently seek to curate its long-term growth strategy amid an unpredictable macroeconomic environment. Management holds an optimistic view of the Division's longer-term development as it builds further upon its solid foundation.

FINANCIAL REVIEW

The Group has centralized funding for all its operations. This policy achieves better control of treasury operations and lower average cost of funds.

The Group closely reviews and monitors its foreign exchange exposure. As at 31 December 2016, total foreign currency borrowings (excluding RMB bank loans) amounted to the equivalence of HK$6,970 million and RMB bank loans amounted to the equivalence of HK$8,059 million. Therefore, non-RMB total foreign currency borrowings and RMB bank loans represented approximately 15% and 18% respectively, of the Group's total borrowings of HK$45,333 million as at 31 December 2016.

The non-RMB total foreign currency borrowings of HK$6,970 million include the Fixed Rate Bonds amounting to US$900 million (net of direct issue costs). The Group has arranged cross currency swap and forward exchange contracts amounting to US$297 million and US$315 million, respectively, to hedge the exchange rate exposure between United States dollars and Hong Kong dollars. Forward exchange contracts amounting to US$165 million have been executed into to hedge the exchange rate exposure between United States dollars and RMB. Besides, the Group has also arranged cross currency swap and forward exchange contracts amounting to RMB900 million and RMB513 million, respectively, to hedge the exchange rate exposure between Renminbi and Hong Kong dollars.

Out of the Group's total borrowings as at 31 December 2016, HK$8,508 million (representing approximately 19%) was repayable within one year, HK$8,889 million (representing approximately 19%) was repayable in the second year, HK$27,048 million (representing approximately 60%) was repayable in the third to fifth years and HK$888 million (representing approximately 2%) was repayable over five years. The Group continued to maintain most of its borrowings on an unsecured basis, with unsecured debt accounting for approximately 89% of total borrowings as at 31 December 2016. The Group will continue to obtain financing on an unsecured basis whenever possible, and supplement such borrowings with secured project financing as and when the need arises.

As at 31 December 2016, the gearing ratio for the Group was 34.9% (2015: 32.2%), calculated based on net debt of HK$28,852 million and shareholders' equity of HK$82,744 million.

As at 31 December 2016, the Group had outstanding interest rate swap contracts which amounted to HK$4,000 million in total, enabling the Group to hedge its interest rate exposure and to have a more stable interest rate profile.

The Group has also arranged forward exchange contracts to sell RMB1,500 million and buy HK$1,651 million for hedging the anticipated RMB dividend distribution from PRC to Hong Kong.

In terms of the Group's available financial resources as at 31 December 2016, the Group had total undrawn bank loan facilities of HK$9,287 million and cash on hand of HK$16,481 million. In addition, the generation of strong recurrent cashflows from the Group's investment property portfolio and hotel operations provides the Group with a strong financial position, and enables the Group to reap the benefits of investment opportunities as and when they arise.

On 25 January 2016, the Group signed a loan agreement for an unsecured HK$10 billion term and revolving loan facility with 19 reputable international and local banks and financial institutions. This facility is for general corporate funding requirements of the Group including refinancing of a previous HK$8.45 billion syndicated loan facility obtained in January 2011.

On 25 August 2016, the Group fully redeemed the 10 years US$420 million fixed rate bonds issued in August 2006.

On 15 February 2017, the Group fully redeemed the 5 years US$600 million fixed rate bonds issued in February 2012.

Details of contingent liabilities and pledge of assets are set out in notes 10 and 11 to the financial statements of the Group included in this announcement.

STAFF

As at 31 December 2016, the Company and its subsidiaries had approximately 8,400 employees. Salaries of employees are maintained at competitive levels while bonuses are granted on a discretionary basis. Other employee benefits include provident fund, insurance, medical cover, subsidised educational and training programmes as well as share option schemes.

SHARE OPTIONS

On 5 May 2011, the shareholders of the Company (the "**Shareholders**") approved the adoption of a new share option scheme (the "**2011 Share Option Scheme**") and the termination of a share option scheme adopted in 2002 (the "**2002 Share Option Scheme**") to the effect that no further share options of the Company (the "**Share Options**") shall be offered under the 2002 Share Option Scheme but the Share Options which had been granted during the life of the 2002 Share Option Scheme should continue to be valid and exercisable.

The 2011 Share Option Scheme is designed to motivate executives and key employees and other persons who may make a contribution to the Group, and enables the Group to attract and retain individuals with experience and ability and to reward them for their contributions.

As at 31 December 2016, a total of 43,287,000 Share Options were outstanding which comprised 10,775,000 and 32,512,000 Share Options granted under the 2002 Share Option Scheme and the 2011 Share Option Scheme respectively.

CORPORATE GOVERNANCE

During the financial year ended 31 December 2016, the Company has complied with the code provisions set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 of the Listing Rules except that Mr. Wong Siu Kong is both the Chairman and the Chief Executive Officer ("**CEO**") of the Company. This is a deviation from A.2.1 of the code provisions which requires that the roles of chairman and chief executive should be separated and should not be performed by the same individual.

As Mr. Wong has extensive experience in the business of the Group, it is more efficient for Mr. Wong to perform the role of Chairman as well as CEO of the Company. It is also more favorable to the development and management of the Group's business. Moreover, Mr. Ho Shut Kan, the President of the Company, is responsible for the day-to-day management of the business of the Group and all other members of the Board have the experience and expertise to ensure balance of power and authority so that the power is not concentrated in any one individual.

2017 ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held on Friday, 12 May 2017 at 2:30 p.m. (the "**2017 AGM**") at Island Ballroom, Level 5, Island Shangri-La Hotel, Pacific Place, Supreme Court Road, Central, Hong Kong.

CLOSURE OF REGISTERS OF MEMBERS

The registers of members of the Company (the "**Registers of Members**") will be closed on Thursday, 11 May 2017 and Friday, 12 May 2017 for the purpose of determining Shareholders' eligibility to attend and vote at the 2017 AGM and during which period no transfer of shares will be effected. In order to be entitled to attend and vote at the 2017 AGM, all transfers accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar and transfer office in Hong Kong, Tricor Abacus Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Wednesday, 10 May 2017.

The Registers of Members will also be closed on Thursday, 18 May 2017 for the purpose of determining Shareholders' entitlement to the Final Dividend and no transfer of shares will be effected on that date. In order to qualify for the Final Dividend, all transfers accompanied by the relevant share certificates must be lodged for registration with Tricor Abacus Limited at the above address not later than 4:30 p.m. on Wednesday, 17 May 2017. The Final Dividend is payable on Friday, 26 May 2017 to Shareholders whose names appear on the Registers of Members on Thursday, 18 May 2017.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31 December 2016, the Company repurchased 2,708,500 shares on the Stock Exchange at an aggregate consideration of HK$52,227,910 ("**Repurchase**"). The Repurchase was made for the enhancement of shareholders' value. Details of the Repurchase are as follows:

		Price paid per share		Aggregate
Month	**Number of ordinary shares**	**Highest HK$**	**Lowest HK$**	**consideration HK$**
January 2016	2,708,500	19.40	19.08	52,227,910
Total	**2,708,500**			**52,227,910**

All 2,708,500 shares repurchased were cancelled during the year ended 31 December 2016. Apart from the above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2016.

By Order of the Board
Wong Siu Kong
Chairman & Chief Executive Officer

Hong Kong, 17 March 2017

As at the date of this announcement, the Directors of the Company are:

Executive Directors: *Messrs. Wong Siu Kong, Ho Shut Kan and Bryan Pallop Gaw*
Non-executive Director: *Mr. Kuok Khoon Hua*
Independent Non-executive Directors: *Mr. Ku Moon Lun, Ms. Wong Yu Pok, Marina, JP and Mr. Chang Tso Tung, Stephen*